

August 22, 1951

CONTRIBUTION TO STAFF PLANNING PROJECT NO. 26.

TO:

FROM:

25X1A9a

SUBJECT: Effect on Rearmament if Iranian POL is Permanently Lost.

Iranian POL is rapidly being replaced. Crude is no problem; and only ~~in refined products~~ a few very tight spots, such as aviation gasoline in France & Indonesia, and motor fuel in India, have appeared. <sup>on</sup> In most places, Western ~~refineries~~ <sup>refineries</sup> can cover the deficit created by the shut down at Abadan. Hence, Western rearmament will sustain no appreciable setback in the form of an oil shortage.

However, since a large part of replacements come from the dollar area (probably at higher prices), financial difficulties arising from an aggravation of the dollar shortage are imminent. It appears that a heavy blow to dollar balances will be dealt the sterling area as a whole, with the UK, India, and Australia the most severely hit. This comes at a time when the dollar position of the sterling area has been growing more critical for other reasons. In addition, it appears that France & (to a lesser extent) several other Western European countries will face payments difficulties. Thus, through secondary effects, the loss of Abadan will still have a serious adverse effect.